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FM AMEMBASSY BEIRUT

TO RUEHC/SECSTATE WASHDC PRIORITY 2472

INFO RUEHEE/ARAB LEAGUE COLLECTIVE

RUCNMEM/EU MEMBER STATES COLLECTIVE

RHEHAAA/NSC WASHDC

RUEATRS/DEPT OF TREASURY WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 BEIRUT 001021

SIPDIS

STATE FOR NEA/ELA

TREASURY FOR MNUGENT AND SBLEIWEISS

TREASURY FOR OFAC

NSC FOR ABRAMS/SINGH/YERGER/DEMOPULOS

E.O. 12958: DECL: 07/14/2018

TAGS: PGOV PTER PREL EFIN ECON LE

SUBJECT: LEBANON: BANKS DENY ALLEGATIONS OF SUPPORTING HIZBALLAH

REF: BEIRUT 1011

Classified By: Charge d'Affaires a.i. William K. Grant for reasons 1.4 (b) and (d).

¶1. (C) The President of the Association of Banks (ABL) in Lebanon, Dr. Francois Bassil, denies allegations that six Lebanese banks helped provided banking services supporting Hizballah's activities. Bassil and other banking officials stressed the efforts of the Lebanese banking sector to comply with U.S. and international regulations, expressing their commitment to full collaboration with the USG on this matter.

ABL plans to meet with Treasury and the Federal Reserve on the sidelines of the World Bank/IMF Annual meetings in October to raise this issue. End summary.

¶2. (C) President of the Association of Banks in Lebanon (ABL) Dr. Francois Bassil, ABL Secretary General Dr. Makram Sader, and Fransabank Deputy GM Nadim Kassar met separately with Charge Grant on July 10-11 to share the banks' position regarding the recent lawsuit filed by Israeli citizens in New York against six Lebanese banks for supporting terrorism finance. The press has reported that about 60 Israelis filed court cases in New York against six Lebanese banks (Fransabank, Bank of Beirut, Banque Libano-Francaise, Middle East & Africa Bank, Banque Libanaise pour le Commerce (BLC), and Lebanese Canadian Bank) for allegedly opening bank accounts to finance Hizballah activities.

¶3. (C) Bassil, calling the allegations "unfounded," said ABL already had issued a public statement denying the charges, but does not want to raise the profile of this issue further in the media or to politicize it. The ABL press release asserted that Lebanon's banking sector abides by international standards and is compliant with FATF recommendations. It also stressed that the Lebanese financial system abides by legislation recognized and accepted internationally. None of the six individual banks involved made public comments or issued a press release.

¶4. (C) Both Bassil and Kassar stressed that Lebanon's banking sector abides by OFAC designations, although not required by local regulations to do so, as well as the Patriot Act. Banks in Lebanon conduct due diligence and Know-Your Customer assessments before opening any account, and would close any perceived suspicious account. Kassar told us that since 2003, Fransabank does not open accounts for Muslim religious institutions or charity organizations out of concern for these US regulations.

¶5. (C) Bassil also pointed out that banks in Lebanon have collaborated in the past when Embassy Beirut has brought such

cases to its attention. He said Byblos Bank closed one small account for Hizballah television station Al Manar in 2003 after Post called him. Similarly, Kassar stressed that Fransabank closed in 2003 an account held by a private individual after an article by Avi Jorisch, from the Washington Institute for Near East Policy, publicly indicated that Hizballah television Al Manar was advertising this account number for donations. Fransabank also asked Al Manar in writing to stop showing the name of the Bank or any account number for advertising purposes on any of Al-Manar media networks. Nevertheless, this case re-surfaced again in 2006, Kassar said, and is the basis for the current case.

¶6. (C) Kassar said Fransabank has not yet been legally notified of the lawsuit, but has a copy (he showed us his, with extensive highlighting). The first argument that Fransabank and other banks will make concerns territorial jurisdiction, which we understood to mean that Israeli citizens cannot use US courts to sue Lebanese banks. He believes resolving this one point could probably take a year.

Kassar believes the purpose of raising this case again is to hurt Fransabank's relationship with its U.S. correspondent banks; they could decide this time to sever their relations with the Bank, he remarked.

¶7. (C) Bassil stressed that banks are open for any collaboration regarding U.S. concerns. He stressed that ABL wants the judiciary to have the last word. He stressed that the banks' main concern is that their U.S. correspondent not be influenced by this lawsuit, and noted that Lebanese banks have started contacting their correspondent banks in the U.S. to avoid this.

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¶8. (C) Bassil and Kassar mentioned that the Association of Banks in Lebanon (ABL) plans to raise this issue, and other banking issues, with USG officials (Treasury, Federal Reserve) on the sidelines of the World Bank/IMF Annual meetings October 10-13. Kassar also mentioned that Central Bank Governor Salameh has also raised this issue with his Fed counterparts.

GRANT